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CORPORATE GOVERNANCE AT TAP

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Abstract

Bearing in mind the current instability in the definition of the objectives of a company and the alignment of all members of a company with these objectives, it is fundamental for organizations to have an effective Corporate Governance Model, which maximizes the interests of shareholders. This need for the creation of effectiveness is enhanced in organizations with peculiar equity structures.

Thus, this project includes the analysis of some of the key conditions for an effective Corporate Governance and then the study of a particular Portuguese company in the air industry, which has had frequent equity structure changes and is now 50% owned by the state. Therefore, the aim of the project is to identify Corporate Governance trends and relate these trends to the company's equity structure.

Through the analysis of relevant documents of the company and some insights of current and past members of the latter, belonging to Governances with different equity structures, it could be concluded that there are no significant differences in the models and procedures adopted within both Governances, mainly due to the fact that the Management of the company was private in both moments.

Moreover, it could also be concluded that there still is a long path to be gone through by the company in order to improve its Corporate Governance.

Keywords:

Effectiveness, Corporate Governance, Equity Structure

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Introduction

The idea that the governance of a company is the same for all companies has been changing more and more, as the years go by. Over the past years, there have been significant changes in the assumptions that hold the Corporate Governance models.

On the one hand, there has been an increasing trend of separation between executive and supervisory functions. Therefore, the power has been decentralized instead of concentrated in a single entity inside the company. On the other hand, it has been highlighted that the members with supervisory functions must be independent. Meaning, their present, or past personal and professional relations cannot interfere with their function within the company. As such, the process of governing the company has been more and more taken care of. This assures that the company's operations are in line with the professional and even ethical standards required by the market and society lowering specific interests of a group of shareholders or managers. Moreover, with better governance, the common objectives defined in the company's strategy would be easily attained. Moreover, there also have been more frequent changes in the equity structure of several companies which generates variations in the respective governance models, namely between a state-owned or a private company. In fact, if in a company the State has a majority, the strategy could comply certain political and social objectives, instead of only maximizing profits. On the contrary, if the company is mainly private, the maximization of shareholder value should be the main objective, including the value creation for all stakeholders. Therefore, there is no longer one model for all the companies, but alternative models, with some variations, which change over time according to the company's equity situation.

With this research, I want to understand if the variations in the ownership structure of a company have an impact on its Corporate Governance model. Moreover, I propose to conclude if there are any trends in the Corporate Governance models due to the company's shareholder profile, namely when a company is mainly private, or state-owned. My motivation for this research is the result of the current discussions about the impact of the Corporate Governance in the performance and value creation vis a vis the more or the less, active role of the State as a shareholder.

1. Corporate Governance

There exist several definitions regarding Corporate Governance and the concepts surrounding this term. However, this concept comprises two notions which I consider fundamental.

On the one hand, it includes a set of rules and policies for decision-making and also for the distribution of responsibilities within a company (Canals, 2010; Boubakri, 2011; Hardwick, Adams, & Zou, 2011; M.Miller, 2011; Guetat, Jarboui, & Boujelbene, 2015). This set is intended to guide the company on its duties, which comprise the maximization of profits through its operation while following an ethical code of conduct which should be against any type of corruption.

On the other hand, the definition of Corporate Governance includes monitoring mechanisms, either internal, external or both, that ensure the policies mentioned above are executed, which secures the protection of the Shareholder's wealth. As a matter of fact, these control measures come as a response to several aspects from which I highlight the *Agency theory*, which describes a situation where managers may act with the aim of achieving their personal objectives instead of the company's interests. Therefore, these mechanisms may enable their supervision (Canals, 2010; Jarboui, & Boujelbene, 2014); But also make the company more attractive, either to investors or high skilled workers, which seek to be get connected with it.

There are some interesting topics that are essential to address when talking about the Corporate Governance of a company and that determine its success. Some are highlighted bellow.

1.1.Board Composition

The board composition a large factor when accessing if the board is or is not effective. Its characteristics should demonstrate that the board is capable of representing the interests of shareholders, in a fair manner.

Firstly, the Board should assure that the majority of its members should be independent, which implies not having any relationships that obstruct the capability of the director taking its position in complying with the interests of the shareholders. Therefore, the board should be mainly composed of outside directors, which have the ability to criticize the company in a more unbiased way. Moreover, these directors bring a variety of experiences which the inside directors do not usually have (Demb et al., 1992).

Also, the size of the board is fundamental in the governance of a company. This aspect is related to the type of company, how big and developed it is. Larger boards have the benefit of having more members with different skills which complement each other. A small board is more cohesive and solves its issues with fewer complications. Therefore, the benefits of one or another depending on the specific company.

Another very important aspect is the diversification of board members in terms of background, skills, experiences, and expertise according to the company's industry and circumstances (women, minorities, different backgrounds and young/new people – long-term value creation for the company). It is believed that different board members may positively impact the success of the governance of the company, because it is easier to keep up with the constantly changing environment in the industry and the business (E. Watson, Johnson, & Merritt, 1998; Canals, 2010; Garratt, 2010; Rao & Tilt, 2016).

On the other hand, the eligibility criteria is also fundamental to ensure successful governance. This process is conducted through a nomination committee (if it exists), which is previously elected by the board and composed of independent members. This committee votes on the directors to be elected. Moreover, a director may also resign or be removed by other directors (Despite this last option is very difficult to occur because it involves a complex process). This election determines the board, which will, therefore, be responsible for representing the shareholders, role of major importance. The selection criteria should, therefore, be based on some aspects, such as the member's skills, experience, personality, among others. Moreover, after the election, there should be continuous training for board members, in order to ensure that they are familiar with the matrix of the company and aligned with its objectives.

1.2.Board Professionalization and Training

The governance of a company may lead to conflicts of interest. In order to cease these conflicts, the Board of Directors should be more professional, either in its nomination and procedures. Moreover, it should have external experts to conduct the Board's training activity. Additionally, the CEO and chairman should comprise two different roles (operational and supervisory roles, respectively) to avoid conflicts of interest and a more efficient board and management. Also, having formal regulation and continually improving the existing one on procedures regarding the directors and related issues which may lead to a conflict of interest improves the company's governance. Another key issue

is informing the stakeholders of this regulation. Finally, some board reunions in order to discuss key issues should frequently exist. These reunions would lead to better decision making. Those should also serve to audit the company activity, for instance, through an audit committee whose members should be carefully selected.

1.3.Board Members Remuneration and Assessment

The Board's evaluation exercise may be included in the company's regulation, but this exercise may also come as a choice of the board itself.

The assessment process, including the rules and methodology used, depends upon the company's circumstances and culture. Therefore, the evaluation process varies from company to company. There is not a common methodology accepted globally, but an adaptation to the company's situation and preferences. However, this process should be conducted, at least, once a year (for instance, during the company's annual strategic formulation), in order to detect dysfunctionalities in the Board's behavior and act according to these dysfunctionalities. The process may be conducted by internal bodies, such as the nomination committee, but the company may benefit from an external expert who could expedite the process and make it simpler. A significant amount of companies prefers the process to be conducted only by an external expert, to ensure transparency, impartiality, and insights about the board that an internal member would hardly see.

The assessment process starts with an insight of the chairperson regarding the need for an evaluation exercise and by whom this exercise should be conducted. After the board's decision, the process itself begins. This latter involves the identification of critical areas, that need evaluation; For each area, the formulation of a questionnaire with several questions, whose responses are obtained in a rating scale; interviews with individual directors to complement the questionnaire with qualitative data; then, the analysis of all this quantitative and qualitative data and the reporting of the results to the Board. With these results, the board may understand the areas where it needs to improve and develops an action plan that may be reviewed on a frequent basis until its dysfunctionalities get smaller or even cease completely. These action plan may include small arrangements to board processes that need to be optimized; or structural changes in the company's Board committees.

Each Director of the board could also be evaluated. This may be a self or peer assessment, according to the company's choice. Some companies prefer not to conduct this exercise, in order to avoid the emphasis on each member, in place of the Board as a whole.

The evaluation process is similar. However, the assessment variables may change, including, for instance, the interpersonal skills of the director; the participation in board meetings; among others.

1.4. Succession Plan

Succession planning is one of the key factors to address when talking about the success of Corporate Governance. This concept implies that there is a plan for the election of new directors if the remaining ones leave the Board. Its objective is to ensure that the positions within the Board are filled and there are no gaps that prejudice the function of the Board. More detailed planning enables the company to reduce uncertainty and pressure, as all scenarios are covered and the probability of something going wrong because of some unexpected gap gets very low. Moreover, the planning allows choosing a director that is familiar with the culture and objectives of the company, which may prevent potential business interruptions or reduce the training for this director.

To start a good succession planning, the first step is to revise the existing regulation within the company for the Board of Directors, as it may include several important factors for the eligibility criteria and Board requirements, such as the independence requirements; the expected experience or background; the maximum number of members for each body; information regarding the possibility of renewal and the committee and officer positions held. Then, it is important to consider the actual Board members, they're current positions and the expiry date for their functions. This analysis enables to understand the positions that will need to be filled and the timing for it. In parallel with this exercise, the nominating committee (if it exists one), should talk with the directors on a frequent basis to understand their preferences in terms of positions to hold, as well as their intentions regarding their commitment with the current positions they are holding. Moreover, if there is a need for outside recruitment, there must be a study of the skills, background, and experience needed for the respective positions and a recruitment plan should be conducted. Despite most of the times, the recruitment is conducted internally, either way, there must be training for the members who assume new positions.

1.5.Minority Shareholders' Participation

It is beneficial both for the state and the private companies that the shareholders comprising these companies have equal importance and treatment. Besides being important for the state reputation, this practice also proves to be beneficial for the company itself which becomes more valuable.

The Shareholders of a company have several rights and obligations, including the right to vote, to be on meetings, to receive dividends, to know how the company's performance is, among others. The controlling shareholder, by having more power, takes the majority of decisions, including the choice of board members, capital increases or control changes. Sometimes these shareholder rights are not respected when the government takes a significant decision regarding the company, such as a capital increase. However, the minority shareholders existence is very important and if their rights are violated, investment in the company won't be that attractive, assets become less valuable and the funds given by the minority shareholders may cease. There must be a regulation that ensures this equitable treatment. If there are private sector strategic investors. There may be agreements between shareholders on the regulation. When there are not, general rules should be created and followed. As such, the procedures adopted by the company should be in line with the equal treatment of all shareholders.

Additionally, besides ensuring this equality in law terms, the majority shareholder (state) should also encourage minority shareholders to be active in order for them to feel part of the company as owners. This shareholders' activism implies that the minority shareholders are represented in all actions that the company engages in. For instance, they should take part in the nomination of the Board of Directors. The majority shareholder has the "voice" and may be able to elect the board by himself. However, some agreements could be created in which the minority shareholders would choose some members for some certain positions, or participate in the nomination criteria, among other possibilities. Also, minority shareholders should participate in the shareholder's meetings that will enable the minority shareholders to be accountable for the company's issues. As such, the company as a whole and the state should encourage active participation at these meetings. Finally, minority shareholders should also ensure that the law on transactions exists and is followed (For instance, all transactions above a certain value should be approved by all shareholders). Namely, if the majority holder in the state, there is the danger that those

transactions comprise a conflict of interest that benefit the state instead of the company. As such, once again, the minority shareholders' interests could be foregone.

1.6.Internal Control Mechanisms

As mentioned, a company must have control mechanisms to ensure good governance within the company. Those might be internal and external.

On the one hand, the internal mechanisms are assured by internal bodies of the company. The Board of Directors, for instance, is responsible for the monitoring of the activity of the management team, to assure the maximization of the wealth of shareholders and compliance with the regulation. Therefore, it is important to assure the existence of independent board members, free of any type of interests within the company they are monitoring, because it leads to more quality control.

The Board committees, which include the Nomination, Remuneration and Audit committees also play key roles in the governance of a company. The Nomination committee defines the eligibility criteria and process for the Board members. Therefore, according to these criteria, there are potential candidates for board members, which are then presented and discussed in the General Meeting. This board minimizes the probability of election based on interests inside the company; The Remuneration committee defines the reward policies for board members and also evaluate their performance. As such, as the performance control is higher, it also is the probability of success of the governance. Moreover, the remuneration should take into account the market conditions in the industry; Finally, the Audit Committee is responsible for assessing the reliability and compliance of the financial reporting with legal regulation and may include internal and external auditors. The information revised and presented by the Audit committee minimize the risk of corruption and help the Board of Directors when approving the annual accounts and defining the company's strategy.

In Portugal, the Remuneration and Nomination committee functions may be assumed by the General shareholder meetings (Silva et al., 2006).

1.7.Corporate Governance for SOEs

For a company to have an effective Corporate Governance, there are several aspects that the latter needs to consider, of which the most important I have mentioned above.

For a company which is totally or partially owned by the State, there are additional challenges for the success of the governance (Syrett and Bertotti, 2012; Schwarting, 2013). It is very important that these obstacles are overpassed, especially regarding some particular companies, due to the critical functions assumed by them. Namely, the assurance of some public utilities, the increasing contribution to the world's gross domestic product and the also increasing employment of the population (Ysa et al., 2012; Ennser-Jedenastik, 2014; Kankaanpää et al., 2014). The largest challenge is related to the fact that the state is entitled to an ownership function in the company and also of managing the country. Therefore, the latter must be able to separate both these functions. If not, there would be the danger of a multiplicity of goals and, consequently, conflicts of interests between the State and the company's objectives, which include the maximization of the wealth of all shareholders. As such, and depending on the company, there needs to be a balance between the effectiveness of public provision and the need for maximizing the shareholder's objectives. Meaning, there should not be undesired political interferences in the management of the company, for instance by providing special State subsidies to this company, benefiting the latter with lower tax amounts or even using the money owned by the State to benefit the company, among other possibilities. Otherwise, both the state and the company as a whole would be joining the unfair competition and mixing public issues with company issues (OECD, 2005, 2015).

1.7.1. Internal Control Mechanisms

The internal control mechanisms adopted comprise the policies conducted bodies inside the company, including the Board of Directors and the General assembly, for instance. Therefore, a crucial topic is that the company's Directors are independent. This concept should be materialized when electing a Director, by assessing its relations with the political power and other executives of the company.

Regarding the monitoring of the company, the lower the number of shareholders, the smaller the dispersion in the interests of different shareholders, which eases the controlling process. However, this process may not be as efficient as it would be in a private company. Firstly, despite the conflicts of interest among shareholders may be lower, the incentives for the State members to monitor the Management team may also

be lower because there are no palpable incentives for these members, which could neglect the surveillance.

Also, Politicians have no special expertise that makes them eligible for the evaluation of the performance of the company nor for the advisory of the management team. Moreover, as the political environment is very unstable, so can be the State Bodies members' and functions. Therefore, if the company is only owned by the state, this would be a crucial obstacle to overcome.

1.7.2. External Control mechanisms

External control mechanisms are conducted at the level of creditors, investors, and even competition, for instance. This monitoring is mainly led through embarrassment. Meaning, managers know that they need to be accountable for their actions.

Especially regarding competition, it enables the establishment of a benchmark for managers. Meaning, the stronger the competition, the better the management team needs to perform its functions in order to attain the expected profit. Moreover, if the competition is stronger members may be compared with the managers from other companies, which motivates them to increase their effort. For SOE's competition is not that important due to the fact that these companies do not operate the same way as private companies, because their objective is different. The SOE's goal is not only the profit but the society's wealth maximization.

Therefore, it could be concluded that SOEs are harder to control externally than internally. As such, the company should focus on the internal control mechanisms as the most effective manner to assess the performance of the managers and other company members. Regarding concrete mechanisms, there are not many variations from those of private enterprises. The aspects mentioned above are essential for any company to have effective governance, whether it is private, totally or partially state-owned.

2. Data and Methodology

2.1.Methodological Approach

This project intends to clarify the impact of different ownership structures, which make a particular company mainly public or private, on the Corporate Governance procedures and models of this company. For this purpose, it is necessary to analyze several organizational elements of the company and how these elements work together.

Therefore, I have decided to follow a qualitative approach which enables the understanding of the decision-making process of an organization and the functioning of its governance, through the deep study of the procedures within the organization, as well as the relationships and inside perspectives among its members.

2.1.1. Case Study Presentation

The reason for the choice of the company under analysis lies in the fact that it is a Portuguese company which has been under several changes over recent years and is positioned in a situation never seen before in Portugal due to its rare equity structure and strong political influence. Moreover, it belongs to a very dynamic industry, which makes it more interesting to analyze due to the strong competition within the latter.

TAP is a Portuguese airline, created after the second world war II, in 1945, under the name of “Secção de Transportes aéreos”. It came as an answer to the need of connecting Portugal to the world, in an era in which the airplane industry was growing faster and faster. By then, the company was state-owned, and the director was a Portuguese Air Force General and politician, Humberto Delgado. From 1946 the first flights were conducted, to destinations like Madrid, Luanda, and Porto. The airline company was indeed growing with new and diversified routes and a new image that attracted people to fly and choose TAP. The company grows brought more innovation, employment, and investment. In 1953, while new routes where continually being explored, the first privatization process came, which led TAP to be an anonymous society of limited responsibility (SARL in Portuguese). In the meantime, in the 60’s TAP continued to grow, with new planes, the possibility of including more people in their planes and the acquisition of the first "Boeing" models. The 70’s were times of great changes, with TAP becoming state-owned once again, because of the revolution of 1974. Moreover, in this

and the following decades, the company started placing much importance on the technological improvement, consistent with the use of more advanced airplanes in several routes and the new computerized reserves and "check-in" systems.

In recent years, TAP has been struggling with its ownership, due to some government disagreements and private investors issues. In 2015, at the end of the political mandate of PSD (Center-right government), led by Pedro Passos Coelho, TAP was partially privatized. Portugal needed to obtain its three-year national bailout. Therefore, it had to sell its interests in several companies, which included the state airline. TAP aimed at selling a stake of 66%, of which 5% would be for the employees. In the meanwhile, this privatization was generating a large controversy among all the employees, which included some staff strikes, who were not beneficial to the company. Finally, in June 2015, the government decided to sell TAP Air Portugal to the Atlantic Gateway consortium formed by the partnership between David Neeleman and Humberto Pedrosa, a Portuguese entrepreneur. Therefore, its ownership has changed, becoming majority-owned by the Atlantic Gateway Consortium, which purchased 61% from Portugal's government and still had the option of buying the remaining 34% in 2018. However, the changes hadn't stopped yet, and, on October 2015, a new Portuguese government, PS (left wing) took the lead and has retrieved TAP's majority control to the state, which was officialized in February 2016, through a deal with the private consortium, which indicates that the company is 50% owned by the Portuguese state, 45% by the Atlantic Gateway Consortium and 5% available shareholder to collaborators and employees of TAP Air Portugal. This retrieve included some restructuring measures within the group, which included new fleet and routes, among others.

2.2.Data collection techniques

This project analysis requires the combination of primary and secondary data in order to study and compare TAP's governance procedures in two different stages: when the Portuguese Government had less influence; and nowadays, when the State has more influence. Therefore, the data collected includes already existing data, collected for other purposes, and new data, collected for this study.

More specifically, some documents were used for this project, like the Annual report of the last three years (2015, 2016 and 2017) and the Shareholder Structure detail, described

in the Corporate Governance Report (2015). The Annual reports include a section with some information on the company's Corporate Governance, useful to understand TAP's equity structure in recent years, including its shareholders and their contribution; the existing councils and departments that assure the company's governance; what are TAP's main significant risks and how the risk management is done internally. All these documents were carefully studied before the interviews and were fundamental to get the first picture on TAP's governance past and current position.

After collecting the secondary data mentioned before, some interviews were conducted, as core primary data, which allowed to answer particular and more profound questions on TAP's Corporate Governance internal mechanisms and processes. This inside information is fundamental to compare the mechanisms used in both situations mentioned above. This stage had 2 phases, which comprised the interviewing of a company representative from the past governance of TAP when the company was mainly private; and the interviewing of a company representative from the actual TAP governance. Both interviewees asked that their personal information was not disclosed, including their names and particular functions within the company. Both these interviews were prepared and followed a set of questions. However, with the objective of enriching the conversation, there was flexibility in the interviews, in order to benefit from the insight of the interviewees on important aspects of the company that were not mentioned in the questions.

The conducted interviews focused on the determinants to have a good Corporate Governance system, such as the rules and control mechanisms inside the company; the nomination and remuneration policies; the interaction between shareholders; the Board members assessment, among others.

2.3. Interview Script

The interviews script was carefully prepared to address several aspects of the governance of the company. The questions were divided into several blocks according to their topic. The blocks include: The Board members election Criteria and process - Rules for election, Key profile of a board member; The training elected board members – *On-Boarding* Programmes, Continuous education; The interaction between shareholders – Conflicts between the state and private shareholders; Minority shareholders importance and

treatment; Board members performance assessment – Internal mechanisms, self-assessment; Succession Plan; Remuneration committee – Policies followed and its approval, remuneration development; Governance composition – Number of bodies, Importance of the supervisory council; Governance Rules – Body in charge, Regulation revision; Risk Management – Main risks, mechanisms against the risks; Internal Communication Policy – Transparency with all stakeholders, Communication means.

Therefore, as asking this set of questions to the TAP's executives in two different times of governance, allowed to establish comparisons and understand how Corporate Governance behaviors vary according to different equity structures.

In the Annex 9.2., it is presented the full script.

2.4.Sample

Bearing in mind the time, agenda and contact constraints of TAP's representatives, it was very difficult to interview a large variety of members. Therefore, the selection was made according to their hierarchical position. Namely, the interviewed members' criteria were holding a position that enabled to have an insight into the Corporate Governance policies and mechanisms. The second criteria were that these members could not be from the same governance mandate, in order to have different insides of the process when the company was private and public. Despite these interviews were only conducted with 2 members of different mandates, the script was available to them 2 weeks before the interview, in order to enable their preparation and discussion with other company representatives, which could enrich the interview.

2.5.Data Analysis

The information was analyzed through a qualitative approach, which allowed to better organize the data and understand it better. This analysis was divided into two stages. In the first stage, both the primary and secondary data were carefully read to generally understand all ideas and identify the main important ones.

In the second stage, involved dividing the text according to the blocks mentioned before, in order to organize the data into topics and identify the core ideas inside these blocks. Then, by once again studying the core ideas into the different blocks, it was easier to establish relations between the information in these blocks and make conclusions.

3. Results on TAP Corporate Governance Model and Procedures

3.1.Board composition

3.1.1. Board size

In TAP, there is a Shareholders Agreement which defines the composition of the different corporate bodies. Therefore, it includes the number of members appointed by Atlantic Gateway and also the number of members appointed by the State.

TAP's Board of Directors is composed of twelve members, of which six were appointed by Parpública and six by Atlantic Gateway, elected at the General Meeting. From among the six Board Members designated, and after consultation with Atlantic Gateway, Parpública appoints the Chairman of the Board.

As the management of the company is private, the Executive Committee is made up of three of the six Board Members appointed by Atlantic Gateway. Atlantic Gateway, after consultation with Parpública, indicates its composition and chooses the CEO.

Therefore, it could be concluded that the functions of both the private consortium and the state are aligned and well-coordinated. Moreover, the shareholders' interests of both blocks (private and public) are well represented, which makes it easier for the governance to succeed.

On a final note, there are some previewed mechanisms in case of conflict of objectives between the State and the private shareholders – namely in the case of a political objective and an economical one. However, these mechanisms' details could not be disclosed.

3.1.2. Board Member Profile

Within TAP, all Board Members must have relevant management capacity and experience, preferentially in the air transport business. Also, the CEO shall have recognized track-record in the industry.

The company positively values diversification and has the policy of not discriminating minorities. Moreover, as mentioned above, it considers as a key factor that Executive and Board members have expertise in the area, keeping in mind that the familiarity with the industry indeed is an eliminatory factor.

3.1.3. Board Professionalization and Training

*"As mentioned above, it is the shareholders who choose the Board of Directors – not the company. For that reason, the "on-boarding" process is mainly provided by them. TAP has no specific programme for the "on-boarding" process of a Board Member."*¹

The Board members are all chosen by the shareholders of the company. Therefore, all training is provided by them on an individual level, which means there is not a specific *On-Boarding Process*.

Due to the same reason mentioned above, there is not a training programme for the new members. According to the view of the company, the corporate bodies' members are chosen through a rigorous and careful process and due to their experience and track record, there is no need for training.

3.2.Board Members' Remuneration and Assessment

3.2.1. Remuneration

TAP has a remuneration committee which is responsible for the establishment of remuneration policies and the approval of the remunerations of all members of the company, according to these policies, which should follow some criteria, such as the company's strategy, ethics, benchmarking with other companies from the same industry, among others. This committee is composed of some independent members, which ensures transparency and equality in remunerations, very important for the perseverance of the ethics of the company.

3.2.2. Assessment

*"Up to now, there is no system approved to assess the Board performance."*²

Regarding the assessment of Corporate Bodies, TAP does not have a formal process either for the self-evaluation of Board members nor for the measurement of Board Performance by external members.

¹ Company representative 2

² Company representative 2

3.3.Succession Plan

“The Shareholders Agreement defines that the shareholders appoint the Board Members. Hence, there is no succession plan approved by any other corporate body.”³

As previously mentioned, TAP’s Board and Executive members are elected by the Shareholders, which is consistent with the Shareholder’s Agreement.

Therefore, the company defends that there is no need of having a formal Succession Plan, as the shareholders are the only ones with power regarding this kind of matters.

3.4.Minority Shareholders’ Participation

“The Minority shareholders have no direct representation at the Board. However, they are heard and taken into consideration through institutional channels (e.g., they can be and always are present at General Meetings).”⁴

In TAP’s case, minority shareholders include the company’s employees, which own 5% of the company shares.

On the one hand, this procedure is very beneficial for the involvement of the employee in the company. By having some participation in TAP’s equity structure, the employees feel more motivated and conscious that their work impacts the company. Moreover, this fact attracts investors, which seek TAP as a wealthy company with strong bonds with their workers. The TAP employees which own company shares, do not have a direct representation in the Board. Therefore, they have no stake in big matters such as voting for some new members or capital increases in the company. They are, however, incited by majority shareholders to participate in the General meetings, where some important issues are discussed, such as the strategy and the appointment of new directors.

3.5.Internal Control Mechanisms

“The Audit and Financial Matters Committee is new (has less than one year of existence). The Committee competencies are set out in the Committee regulation. There is a workflow approved which includes, for instance, an annual monitoring plan of important issues such as corporate risks, auditing and budget preparation, and execution, among others.”⁵

³ Company representative 2

⁴ Company representative 1

⁵ Company representative 1

TAP has some internal control mechanisms and procedures, fundamental to an effective Corporate Governance, some of which were mentioned above, such as Remuneration committee, which exists within TAP and could be improved through a better career's development programme; the rigorous and careful selection criteria, which is performed by shareholders, but could also be developed by a nomination committee or external members to the company; among other more detailed mechanisms, such as risk management, which were not disclosed.

Another important and still not mentioned topic within TAP mechanisms is the Audit and Financial Matters committee. This committee is new within TAP and was created following the privatization and the shareholder agreement to reconfigure the shareholder structure in 2017. The Committee competencies are set out in the Committee regulation. There is a workflow approved which includes, for instance, an annual monitoring plan of important issues such as corporate risks, auditing and budget preparation, and execution, among others. This committee is composed of some external members, which ensures transparency and information disclosure regarding the current financial position of the company. This committee enables the minimization of risk in the company's business operations and governance.

Regarding the Corporate Governance models and rules, those are defined by the Shareholder's Agreement. The company has been improving its Corporate Governance since its structure changes, which include some undisclosed changes in the shareholder's agreement, implemented by the Board.

3.6.Communication Policy

TAP's Governance Communication Policy is defined by the Shareholder's Agreement and other Board level regulations. Moreover, internally, there is a communication plan which is implemented by the management team. Therefore, the company aims at transparency regarding some institutional issues and also regarding its financial position. As mentioned above, this type of procedures involves all the employees of the company which, consequently, motivate them on their respective works. Moreover, this procedure enhances the wealth of the company and attracts investors.

4. Changes in TAP's Corporate Governance due to changes in equity structure

Following the shareholder equity changes in 2017, where the State, through Parpública, acquired 50% of TAP's share capital, seven new members were appointed for the Board of Directors, while six members from Atlantic Gateway left the governance of the company. Therefore, the members appointed by both blocks got equal.

Regarding the bodies that comprise the Corporate Governance of a company, everything else kept the same, which is mainly because the management of the company kept private and the private consortium with large participation in the company. The existing bodies were and still are: The General Meeting committee; The Board of Directors; The executive committee; The Supervisory Board and the Official Accountant. Recently, two more bodies were created, due to the constant evolvement of the Corporate Governance models: The Audit and Financial Affairs body, composed of external auditors, in charge of monitoring the company's governance; and a Strategy body, in charge of helping the Board of Directors defines the strategy of the firm, in cooperation with the management team. It could then be concluded there were no meaningful changes in terms of Corporate Governance procedures and mechanisms.

The size of the Board has increased by a member, which was not significant. However, with the inclusion of members appointed by the State, the Board got more diverse, accounting for people with different background and experiences. Moreover, these members allowed the representation of most shareholders, which enables their wealth maximization and avoids conflicts of interest. The selection and appointment of Board Members kept being performed by shareholders through the Shareholder's Agreement. Moreover, there were no changes in the On-Boarding, lack of training for new Board Members nor the incentives given to the minority shareholders.

Most of internal control mechanisms also kept the same, with the lack of a nomination committee and a proper Succession plan. However, as previously mentioned, the creation of two new committees improved the Governance procedures.

Overall, there were no significant changes in the Governance of TAP, mainly due to the fact that the members in TAP Corporate bodies have not changed radically. Moreover, the private consortium still has a large stake at TAP and assumes a very significant role in the company's management. There were created some measures that determine the role of the State in TAP. However, this information could not be disclosed.

5. TAP Governance Limitations and Suggestions

5.1. On-Boarding and Training

The elected board and executive members should be aligned with the company's culture and objectives. Therefore, the company should have planned On-Boarding and Training events.

On the one hand, despite the shareholders are indeed the best people to welcome the members who arrive at the company, an On-Boarding programme would be valuable for them to feel integrated within the TAP. It could be useful for the members to meet other people from the company and, above all, for all the new members to be educated together. Moreover, it should include some learning from all departments within the company, which implies that not only shareholders would be in charge of the education of new members, but also workers from other departments that could provide other insights regarding the business operation, that the company's shareholders are not aware of and are key factors when assessing the company. Also, the meeting of members from other departments enhances the team spirit. Something that TAP should incite.

On the other hand, and as previously mentioned, the governance of a company may lead to conflicts of interest, because the members are not aligned with the objectives of the company. Therefore, it is believed that training is very important, even for members with a large variety of experiences and expertise. That is because the business circumstances vary very often. Therefore, it is not rare that the interests also vary, following the circumstances of the company. A frequent revision of the objectives and procedures of the company is fundamental for the effectiveness of the board.

5.2. Board Members' Assessment

As confirmed above, TAP does not have a formal procedure for Board performance assessment. This topic is a significant gap within the company. In fact, this attitude shows some passivity regarding the governance processes in the company. There is no effort in making additional improvements in the company's procedures, which could be beneficial for the company, even if its governance is more or less stable. Therefore, the remuneration committee should be in charge of designing some mechanisms which would enable to evaluate the Board performance, based on quantitative metrics. This process could, on

the one hand, identify possible gaps within the governance practices which could be improved and, consequently, minimize governance and management risks. On the other hand, this process could hold Board members responsible for the company, because, by evaluating themselves and their colleagues get more conscious of their contributions to the company; and, by being evaluated, feel pressured to perform a better work within their functions.

5.3.Succession Plan

Following this, another gap in the company is the lack of a Succession Plan. This procedure is fundamental to ensure the perseverance of the Board's stability, through the constant renewal of the company. In this case, the institution should either in charge of the nomination committee of drawing a plan or create a specific Board Committee that would be responsible for the creation of a Succession Plan.

The process of creating a solid Succession plan TAP should start with the discussion of the company's objectives and definition of concrete actions to achieve these objectives, which could be attained, for instance, through the general or other strategy meetings. From this analysis, the committee would be able to identify the required competencies, compatible with the achievement of the proposed goals and also the positions that will potentially need to be filled. Then, the internal and external scanning begins. First, the supposed TAP nomination committee should track the skills of actual Board members and potential gaps they might have. Parallel to this study, the committee should also search for top talent on the market, which includes searching within TAP's competitors. However, the choice of an internal member is the most suitable option, as it minimizes the risk of bad performance, because of internal know-how on company matters.

Given this analysis, the next stage should be the choice of a successor.

Finally, TAP's nomination committee should consider this succession plan when assessing the career development of the new member and it should also serve as a support for the Remuneration Committee decisions.

5.4.Minority Shareholders' Participation

Therefore, it could be concluded that the minority shareholders do not have active participation in the matters of the company. However, they have some passive

participation, as they are heard and taken into consideration through the company's institutional channels, being encouraged to be aware of the topics discussed within the Board and, consequently, within the company. Moreover, minority shareholders are also responsible to ensure that the board follows the regulation regarding its procedures and mechanisms. According to the circumstances of the company, some arrangements could be made to enhance the participation of minority shareholders in TAP affairs, however, it still is not fundamental to the company to explore this topic.

5.5.Internal Control Mechanisms

As previously described, TAP has an established set of Internal control mechanisms. However, as mentioned above, the company is trying to make some changes in its governance mechanisms and procedures, with the aim of improving them. Therefore, these changes could comprise, for instance, the inclusion of outside expert members in the design of Corporate Governance rules and procedures. The creation of policies could be conducted with the help of the auditing committee, which, by monitoring corporate risk, is able to identify the areas where the company needs stronger policies, due to higher levels of risk.

The suggestions presented are useful for any type of company, independently of its equity structure. Specifically, regarding the State, it could be concluded that if the latter's behavior was comparable to the behavior of any other shareholder of this company or any other, its Governance would be much more effective. All these suggestions should put into practice and the State, as a major shareholder, should be paying more attention to the Governance of the company and assuming its role as the main shareholder of the company and not just of a member of the State, which is what happens nowadays. For the last years, TAP's Corporate Governance has been subject to political instability and conflict of interests, mainly as a consequence of the behavior of the State, which used the company in favor of its interests. Therefore, TAP's Governance improvements are mainly dependent on the behavior of Parpública as the main owner of the company.

6. Research Limitations

The topic developed within this research, which aims at describing the Corporate Governance differences according to the equity structure of a company, is very rich and could continue to be studied further. Therefore, it includes some limitations that could be explored.

On the one hand, the study is mostly based on the analysis of qualitative data. Therefore, it is lacking an analysis of the performance of the company, as a quantitative metric that enables to see if the company's Corporate Governance practices are indeed good practices that positively contribute to the success of the company. A future research project could focus more on tangible aspects surrounding the performance of the company, which could be assessed through the study of the various financial and accounting statements of the company. Moreover, the research focused only on a single company, which may not be enough to draw strong conclusions. The objective of this project is to study a particular company and its peculiar Corporate Governance circumstances. However, deeper analysis of companies with different governance policies and mechanisms would be useful to further develop the topic.

On the other hand, the interviewed sample within the company is very small and may not represent the population. Meaning, these interviews were conducted to particular company representatives. However, the adapted governance practices influence and are represented within all the company. Despite this limitation, the interviewees' position provided them with more interesting insights regarding the governance of the company. Therefore, due to some time and company restrictions, the project focused on this knowledge. On a final note, the interview insights and information disclosure by the company regarding its governance practices are not guaranteed to be entirely true.

All these limitations are easily overcome through a deeper study, which would be a larger contribution to understand the importance of Corporate Governance to a company and the potential impacts that the state can provoke, in case the latter has a large contribution within the company.

7. Concluding Remarks

Bearing in mind that the Corporate Governance of a company deeply affects a company and taking into consideration recent unfortunate events in some company's considered to be secure, this study was conducted in order to conclude the role that the State can take in the Corporate Governance of a particular company, TAP, which represents Portugal as one of the most well-known companies in the aviation industry.

TAP's Board composition includes members appointed by Parpública and by the Private Consortium, Atlantic Gateway, which ensures that the State assumes its role within the Governance of the company through members with a large variety of expertise in the industry. Moreover, there has been an effort regarding the improvement of TAP's Governance nowadays demonstrated through the creation of an Auditing committee, complementary to the Supervisory Board, which ensures clear management practices.

Despite the company ensures that fundamental governance topics are carefully discussed and taken care of, such as the Remuneration policies and the rigorous selection of Board and Executive members; TAP still has larger gaps in its Corporate Governance model. These gaps include the lack of a formal procedure for Succession Planning, fundamental for the constant renewal of an organization and for the minimization of the uncertainty regarding the direction of the company; The inexistence of Training and *On-Boarding* programmes for new members assuming executive or non-executive roles, fundamental for better integration within the company, and acknowledgement of its culture and business operation; The missing of an effective Board Performance Assessment, a key procedure to conclude if the Board is succeeding while performing its role. All these gaps should be previewed by Parpública as key topics for the effectiveness of the company's governance. This would benefit TAP as reducing conflicts of interest and the risk of uncertainty within the company. Moreover, it would for sure improve the performance of the Board members, which would be more committed to the company. As the main Shareholder, the State could interfere in the Governance of the company in a more assertive manner and assure the requirements mentioned above are fulfilled.

Therefore, it could be concluded that the State has the largest participation in TAP's equity structure, but the Private Consortium assumes a very significant role, inclusively assuming the management of the company. As such, both these *blocks* need to work together to assure successful governance and the stability that the company needs.

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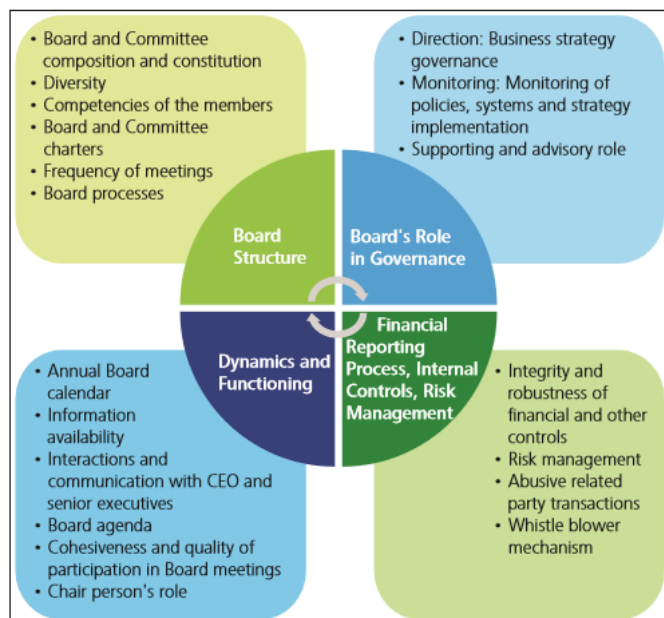
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9. Annexes

9.1. Parameters for Board Evaluation

Parameters of Board Evaluation



9.2. Interview Script

1. Has TAP an internal set of rules for the board members selection and appointment? How does the selection and appointment process work?
2. Which are the main, or key, factors profile factors for a board member?
3. Which are the main steps for the "on-boarding" of a board member? Has Tap a specific programme for it?
4. Has TAP a training plan for the members of the different corporate bodies' members? If yes how does it works and for each corporate body which are the main areas addressed?
5. Regarding the composition of the different corporate bodies are there any Shareholders Agreement defining the number of the members each block (private and public) can appoint? If yes could it be known?

6. Concerning the remuneration of the different members of the corporate bodies in the respective policy approved by the General Assembly? Or by a Remuneration Committee?
7. Do you have a succession plan approved by the competent corporate body?
8. Who or which body decides the Corporate Governance model/rules? How often is this regulation revised?
9. In case of conflict of objectives between the State and the private shareholders – namely in the case of a political objective and an economical one - how is it solved? Is there any mechanism previewed?
10. Are minority shareholders often forgotten because of that or are they equally treated? (For instance, nowadays where the workers have a minority stake of 5% at the company. Are they heard?).
11. (For Private) Why is the composition of the governance different from when the state has a larger stake? Meaning, why not having a Supervisory Board and a commission specialized in Corporate Governance sustainability?
12. In what concerns to the Audit Committee in there a regular work plan for the year? If yes, is the fulfillment of this plan assessed in order to close the gaps?
13. (For SOE) The internal risks are much larger now than in 2017. What are they and why they are bigger? What did you do about it? Does it have to do with the company's reputation and deficits in the governance?
14. What is the internal communication policy, in order to ensure transparency inside the company?
15. Does the company have a process for a self-assessment by each corporate body? If yes is it done each year?
16. Is it in place a system approved by the Remuneration Committee to assess the Board performance? If yes could you tell which the most relevant assessment indicators are?

9.3.TAP Executive and Non-Executive Members 2015

Executive Committee

By election by the Board of Directors at the meeting on November 13, 2015

Chairman Fernando Abs da Cruz Souza Pinto
Member David Humberto Canas Pedrosa
Member Maximilian Otto Urbahn

*As a result of the co-optation, on July 24, 2017, for the office of Member of the Board of Directors, of Antonoaldo Grangeon Trancoso Neves in place of the Member Maximilian Otto Urbahn who submitted his resignation, on the same date the Board of Directors determined the composition of the **Executive Committee** as follows:*

Chairman Fernando Abs da Cruz Souza Pinto
Member David Humberto Canas Pedrosa
Member Antonoaldo Grangeon Trancoso Neves

Company Secretary

By appointment of the Executive Committee, at the meeting on December 16, 2015 ratified by the Board of Directors of the Company on January 20, 2016 pursuant to article 23 of the Company's by-laws, effective December 16, 2015.

Company Secretary Ana Maria Sirgado Malheiro
Alternate Company Secretary Not appointed

Supervision of the Company

Supervisory Board

The Supervisory Board of TAP, SGPS, S.A. was elected at the General Meeting on November 12, 2015, for the three-year period 2015-2017, with the following composition:

TAP, SGPS, S.A.

Mandate (Start - End)	Position	Name	Appointment Doc.	Mandates held in the company	
				Number	Date of 1. st appointment
2015-2017	Supervisory Board	Sérgio Sambade Nunes Rodrigues	General Meeting Committee on 12th November 2015	1	12.nov.2015
		Baker Tilly, PG & Associados, SROC. S.A.	General Meeting Committee on 12th November 2015	1	12.nov.2015
		Maria Susana da Mota Furtado e Almeida Rodrigues	General Meeting Committee on 12th November 2015	1	12.nov.2015
	Alternate	António Pires dos Reis	General Meeting Committee on 12th November 2015	1	12.nov.2015

Official Accountant

Through deliberation at the General Meeting Committee on 30th May, 2016, for the remaining period of the current term 2015-2017

Permanent Oliveira, Reis & Associados representada por Joaquim Oliveira de Jesus
Alternate Fernando Marques Oliveira

Supervision of the Company

Supervisory Board

The Supervisory Board of TAP, SGPS, S.A. was elected at the General Meeting of 12th November, 2015, for the period 2015-2017 with the following composition:

TAP, SGPS, S.A.

Mandate (Start - End)	Position	Name	Appointment Doc.	Mandates held in the company	
				Number	Date of 1 st appointment
2015-2017	Supervisory Board	Sérgio Sambade Nunes Rodrigues	General Meeting Committee on 12 th November 2015	1	12.nov.2015
		Baker Tilly, PG & Associados, SROC, S.A.	General Meeting Committee on 12 th November 2015	1	12.nov.2015
		Maria Susana da Mota Furtado e Almeida Rodrigues	General Meeting Committee on 12 th November 2015	1	12.nov.2015
	Alternate	António Pires dos Reis	General Meeting Committee on 12 th November 2015	1	12.nov.2015

Official Accountant

Through deliberation at the General Meeting Committee of 12th November, 2015, for the three-year period 2015–2017.

Permanent Oliveira, Reis & Associados represented by José Vieira dos Reis

Alternate Joaquim Oliveira de Jesus

Supervision of the Company

Official Accountant

Through deliberation at the General Meeting Committee of 2nd June, 2009, for the three-year period 2009–2011.

Permanent Oliveira, Reis & Associados represented by José Vieira dos Reis

Alternate Fernando Marques Oliveira

Composition of the Board of Directors, in duties after November 12, 2015

Not having been elected members of the General Meeting, the meeting of this body held on 12th November, 2015 had the following composition:

General Meeting Committee

Chairman David Humberto Canas Pedrosa (representative of Atlantic Gateway shareholder)

Secretary Cláudia Cruz Almeida (representative of Parpública shareholder)

Through deliberation at the General Meeting Committee of 12th November, 2015, for the three-year period 2015–2017.

Board of Directors

Chairman Humberto Manuel dos Santos Pedrosa

Member Fernando Abs da Cruz Souza Pinto

Member David Humberto Canas Pedrosa

Member Maximilian Otto Urbahn

Member David Gary Neeleman

Member Francisco Maria Freitas de Moraes Samento Ramalho

Member Henri Courpron

Member Philippe Calixte Albert Delmas

Member Robert Aaron Milton

Member Sydney John Isaacs

Member Tiago Gonçalves de Aires Mateus

At the meeting of the Board of Directors of TAP, SGPS, SA of 13th December, 2015, the Executive Committee of that company now has the following composition:

Executive Committee

Chairman Fernando Abs da Cruz Souza Pinto

Member David Humberto Canas Pedrosa

Member Maximilian Otto Urbahn

Company Secretary

By appointment subject to notification of the Board of Directors of the Company pursuant to article 21 of the Company's by-laws, for the period 2015-2017, effective 16th December, 2015.

Company Secretary Ana Maria Sirgado Malheiro

Alternate Company Secretary Not appointed

9.4.TAP Executive and Non-Executive Members 2018

Executive Committee

By election by the Board of Directors at the meeting on November 13, 2015

Chairman Fernando Abs da Cruz Souza Pinto
Member David Humberto Canas Pedrosa
Member Maximilian Otto Urbahn

*As a result of the co-optation, on July 24, 2017, for the office of Member of the Board of Directors, of Antonoaldo Grangeon Trancoso Neves in place of the Member Maximilian Otto Urbahn who submitted his resignation, on the same date the Board of Directors determined the composition of the **Executive Committee** as follows:*

Chairman Fernando Abs da Cruz Souza Pinto
Member David Humberto Canas Pedrosa
Member Antonoaldo Grangeon Trancoso Neves

Company Secretary

By appointment of the Executive Committee, at the meeting on December 16, 2015 ratified by the Board of Directors of the Company on January 20, 2016 pursuant to article 23 of the Company's by-laws, effective December 16, 2015.

Company Secretary Ana Maria Sirgado Malheiro
Alternate Company Secretary Not appointed

Supervision of the Company

Supervisory Board

The Supervisory Board of TAP, SGPS, S.A. was elected at the General Meeting on November 12, 2015, for the three-year period 2015-2017, with the following composition:

TAP, SGPS, S.A.

Mandate (Start - End)	Position	Name	Appointment Doc.	Mandates held in the company	
				Number	Date of 1. st appointment
2015-2017	Supervisory Board	Sérgio Sambade Nunes Rodrigues	General Meeting Committee on 12th November 2015	1	12.nov.2015
		Baker Tilly, PG & Associados, SROC. S.A.	General Meeting Committee on 12th November 2015	1	12.nov.2015
		Maria Susana da Mota Furtado e Almeida Rodrigues	General Meeting Committee on 12th November 2015	1	12.nov.2015
	Alternate	António Pires dos Reis	General Meeting Committee on 12th November 2015	1	12.nov.2015

Official Accountant

Through deliberation at the General Meeting Committee on 30th May, 2016, for the remaining period of the current term 2015-2017

Permanent Oliveira, Reis & Associados representada por Joaquim Oliveira de Jesus
Alternate Fernando Marques Oliveira

Governing Bodies

Three-year period 2015–2017

TAP—Transportes Aéreos Portugueses, SGPS, S.A.

General Meeting Committee

Chairman Diogo Patrício de Melo Perestrelo

Through deliberation at the General Meeting Committee on March 8, 2016

Company Secretary Ana Maria Sirgado Malheiro
Pursuant to number 1 of article 14 of the Company's by-laws

Board of Directors

Through deliberation at the General Meeting Committee on November 12, 2015

Chairman	Humberto Manuel dos Santos Pedrosa
Member	Fernando Abs da Cruz Souza Pinto
Member	David Humberto Canas Pedrosa
Member	Maximilian Otto Urbahn
Member	David Gary Neeleman
Member	Francisco Maria Freitas de Moraes Sarmento Ramalho (*)
Member	Henri Courpron (*)
Member	Philippe Calixte Albert Delmas (*)
Member	Robert Aaron Milton (*)
Member	Sydney John Isaacs (*)
Member	Tiago Gonçalves de Aires Mateus (*)

(*) *The indicated Directors submitted their resignation, following the shareholder reorganization process, which was concluded on June 30, 2017, in which the Portuguese State, through Parública—Participações Públicas (SGPS), S.A. came to hold 50% of the share capital of TAP, SGPS, having been appointed, in a General Assembly on the same date, and for the remaining period of the 2015–2017 current term of office, seven new members of the Board of Directors, as a result of the change of the Articles of Association, also approved in this General Assembly, which decided that the Board of Directors would now be composed of 12 members:*

Chairman	Miguel Jorge Reis Antunes Frasquilho
Member	Diogo Lacerda Machado
Member	Ana Pinho Macedo Silva
Member	Esmeralda da Silva Santos Dourado
Member	António Gomes de Menezes
Member	Bernardo Trindade
Member	Li Neng

On July 24, 2017, following the resignation submitted by the Member Maximilian Otto Urbahn, the Board of Directors decided to approve the following co-optation, for the office of Member of the Board of Directors, for the remaining period of the 2015–2017 current term of office:

Member	Antonoaldo Grangeon Trancoso Neves
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9.5.TAP Internal and External Risks

RISCOS INTERNOS						RISCOS EXTERNOS	
Negócio Base	Processos Subsidiários	Isolados	Contratuais	Instrumentos Financeiros	Operacionais	Externo	Mercado
<ul style="list-style-type: none"> Recursos Humanos Fornecedores Clientes Organização Comercial Marcas Próprias Produtos Segurança Marketing Instalações 	<ul style="list-style-type: none"> Informáticos Infraestruturas Certificações Proteção de Dados Fusões / Aquisições Segurança Indemnizações Fatores Técnicos 	<ul style="list-style-type: none"> Projetos Subsidiárias Compromissos Institucionais Controlo Interno Responsabilidade Sociais Fraude Corrupção 	<ul style="list-style-type: none"> Garantias de pagamentos Compromisso de Compra Fraude Corrupção 	<ul style="list-style-type: none"> Liquidez Taxas de Juro Taxas de Câmbio Preço do Combustível Fusões / Aquisições Indemnizações Tesouraria Ativos Financeiros 	<ul style="list-style-type: none"> Saúde / Segurança de Trabalho Operacional Tecnologia de Informação Manutenção e Engenharia 	<ul style="list-style-type: none"> Envolvente Social Taxas de Juro Taxas de Câmbio Impostos Catástrofes Ataque Cibernético Parcerias Epidemias Infraestruturas Aeroportuárias Fenómenos Naturais Segurança (Security Providers) 	<ul style="list-style-type: none"> Atratividade do Mercado Evolução do Sector Concorrência Distribuição Organização Comercial Novos Produtos Novas Tecnologias Normativo Legal
Riscos na organização da Empresa (pessoas e serviços) e nas interações entre a Empresa e fornecedores / clientes.	Riscos verificados nos processos / atividades de suporte à atividade da Empresa.	Eventos que não têm uma rotina frequente na atividade da Empresa.	Riscos existentes com o compromisso entre a Empresa e fornecedores / clientes e quais as mitigações existentes.	Riscos económico-financeiros e os seus sistemas de monitorização e controlo. Acompanhamento dos desenvolvimentos económicos e geopolíticos, designadamente, em países com elevada instabilidade social e política. Auditoria interna a procedimentos, contratações e transações.	Risco de perdas ou impactos negativos financeiros, no negócio e/ou na imagem / reputação da organização, causados por falhas ou deficiências na governação e processos de negócio, nas pessoas, nos sistemas ou resultantes de eventos externos, que poderão ser despoletados por uma multiplicidade de eventos.	Riscos relacionados com ambientes económicos, sociais e ambientais, que não estão diretamente relacionados com a atividade da Empresa.	Todos os eventos que poderão traduzir-se como risco à atividade da Empresa e que estão diretamente relacionados com a atividade da mesma.

9.6.TAP's Corporate Governance with different equity structures

	Former Governance	Actual Governance	Recommendations
Topic			
On-Boarding and Training	NO	NO	- Create Specific <i>On-Boarding</i> and Training programmes for the immersion of new members in the company's culture and operations
Succession Plan	NO	NO	- Design a Succession plan to minimize uncertainty, through the creation of a specific committee in charge of it
Remuneration Committee	YES	YES	- Include the Succession plan on the decisions regarding remuneration

Communication Policy	YES	YES	- Disclose more about the State's role in the company's governance
Auditing Committee	NO	YES	- No recommendations
Minority Shareholders Participation	MIDDLE	MIDDLE	- Ensure stronger active participation. For instance, small representation in a given committee which takes decisions on the company's governance (e.g. Nomination committee – which still does not exist)